



1120 South 101st Street, Suite 400
Omaha, NE 68124-1088
Phone: (402) 393-9400
Fax: (402) 393-1037
www.milliman.com

July 26, 2005

Mr. Dave Heuton
Director
Administrative Services Division
Iowa Department of Public Safety
Wallace State Office Building
Des Moines, IA 50319-0040

Re: Actuarial Study for POR System

Dear Dave:

At your request we have completed an actuarial study to determine the cost impact of granting service credit to POR members for years of service worked under the 411 System or IPERS. The study was based on the data you provided with respect to the additional service that would be included for each member. As we agreed, retirees were not included in this analysis.

The cost of including the prior periods of 411 or IPERS service is based on the increase in the present value of future benefits (PVFB). The PVFB was first determined using the data from the July 1, 2004 actuarial valuation (baseline result) and subsequently recalculating including the prior service provided in your spreadsheet. The plan provisions and assumptions used were those of the most recent valuation, July 1, 2004. The cost of including the prior service was the change in the PVFB, which was \$2.2 million. This represents the increase in the lump sum value of the expected future benefit payments. In other words, if the prior years of service were granted to these members and a contribution of \$2.2 million was made to the Fund, there would be no change in the actuarial contribution rate in the next actuarial valuation. The breakdown by source of service is summarized below:

411 System	\$ 781,198
IPERS	<u>\$ 1,401,028</u>
Total	\$ 2,182,226

As you know, the actuarial valuation calculations do not assume that all members will retire once they reach eligibility for unreduced retirement. In order to provide a range of possible results, we also performed our calculations under an alternate set of actuarial assumptions. In the second set of calculations, we assumed that all members in this



group would retire when they are first eligible for unreduced retirement benefits. All other actuarial assumptions remain unchanged from the valuation assumptions. The result under this scenario showed an increase in the PVFB of \$3.0 million. The breakdown by source of service is summarized below:

411 System	\$ 1,077,097
IPERS	<u>\$ 1,915,077</u>
Total	\$ 2,992,174

Detailed information for each member is included in the spreadsheet attached to this letter. Under the column entitled "Baseline" the service from the July 1, 2004 actuarial valuation was used to determine the PVFB. The Column headed "With Service" reflects the PVFB calculation using the additional years of service. There are two sets of numbers, one using current valuation assumptions and the other assuming members retire at their earliest unreduced retirement age.

The cost numbers provided in this letter are not intended to be exact costs. They should be considered to be estimates. The actual costs will vary from those presented in this letter to the extent that actual experience differs from that projected by the actuarial assumptions. These costs have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statement of Actuarial Opinion of the American Academy of Actuaries.

This analysis is solely for the internal use of the POR System. Milliman does not intend to benefit any third party recipient of this analysis. If this letter is provided to other parties, it should be copied in its entirety.

If you need additional information or have any questions, feel free to call me.

Sincerely,

Patrice A. Beckham, F.S.A.
Principal and Consulting Actuary